



GREEN CHECK VERIFIED

ENABLING BANKING AND OVERSIGHT OF THE CANNABIS INDUSTRY

A Proud CONNECTICUT Company

Testimony of Kevin Hart, President Green Check Verified

Judiciary Committee Public Hearing

March 19, 2018

SB 487 “AN ACT CONCERNING THE LEGALIZATION, TAXATION AND REGULATION OF THE RETAIL SALE AND RECREATIONAL USE OF MARIJUANA AND CONCERNING THE PRODUCTION AND REGULATION OF HEMP”

Sen. Doyle, Sen. Kissel, Rep. Tong, Rep. Rebimbas and Honorable Members of the Judiciary Committee, I am Kevin Hart, a resident of Orange, Connecticut and President of Green Check Verified, a proud Connecticut Company. Thank you for the opportunity to submit testimony today regarding SB 487, An Act Concerning the Legalization, Taxation and Regulation of the Retail Sale and Recreational Use of Marijuana and Concerning the Production and Regulation of Hemp.”

Green Check Verified (GCV) is a Regulatory Technology or “RegTech” company based in Yale University’s historic “Science Park” in New Haven, Connecticut. GCV’s patent-pending proprietary tool, **GreenCheck**, is an enterprise-grade platform that modernizes financial reporting and transactional compliance to enable verifiable and bankable commerce throughout the legal cannabis industry on a national scale. We are a start-up company focused on driving responsible and sustainable growth of the legal cannabis industry. Our experienced team of enterprise software professionals is passionate about the opportunity to build our company right here in Connecticut.

The bill before you today, SB 487 would allow adults at least 21 years of age to possess and use marijuana for recreational purposes and would create a regulatory process to allow for the retail sale of marijuana in Connecticut. Green Check Verified supports the right of adults to make their own decisions about possessing and using marijuana and believes that creating a highly-regulated environment for consumers to safely and lawfully purchase marijuana is the right approach to take. We strongly support Connecticut’s current Medical Marijuana Program—believing it is the best in the country, for many of the same reasons.

There is, however, a critically important element of success that should be added to this proposal—as well as in Connecticut’s current Medical Marijuana Program: how to establish real compliant relationships, for all parties, related to the financial operations of these programs. We propose that a series of operational requirements that enable easier, and more transparent compliance with the state’s cannabis rules and regulations, as well as a systematic approach to effectively oversee and administer the state’s cannabis program down to the individual transaction level be included. Without such requirements, lawful sellers of marijuana products, including producers and retailers, find themselves in an environment of uncertainty regarding their ability to comply with the state’s cannabis regulations, and the state lacks sufficient financial oversight capabilities to ensure compliance throughout the industry.

Moreover, the lack of such requirements has created a gap in which scalable compliance systems and processes should exist in order to facilitate sustainable regulatory and oversight frameworks, especially those that would allow for the use of electronic payments as opposed to the high-risk nature of a cash-only industry. This last issue is amplified by the fact that marijuana is still classified as a Schedule 1 controlled substance under the federal Controlled Substance Act. This means that federal and state chartered financial institutions are wary of embracing the cannabis industry, no matter how well regulated it is on an individual state level.

With few (or none) of those banks willing to offer banking services to cannabis businesses, those business are forced to deal in hard cash between consumers, retailers, producers and other authorized vendors. Needless to say, this is a huge problem and a catastrophe in the making. The increased sales transactions contemplated in HB 5458 expands this problem exponentially.

The answer? We know that technological tools exist today to respond to the many complex issues that arise in the cannabis industry. Therefore, we respectfully request that this committee add language to this bill which would require sellers of marijuana to utilize technology that would ensure compliance with all pertinent Connecticut statutes and regulations. Such technology exists and would be a WIN-WIN-WIN for marijuana sellers, consumers and state agencies (both regulators and tax collectors).

Specifically, we respectfully ask that you JFS this bill to include language that would require that all sellers of marijuana and marijuana products utilize an electronic system of identity verification and management to ensure that all purchases and transactions are in compliance with all relevant Connecticut statutes and regulations. This new requirement on sellers is intended to:

- 1) prevent the sale or diversion of marijuana and marijuana products to persons under the age of twenty-one, or known to be restricted from purchasing such products;
- 2) enable all jurisdictional state agencies with the tool of visibility for monitoring and evaluating compliance with all statutory and regulatory requirements at the dispensary level;
- 3) improve the security and privacy afforded to legal purchasers of marijuana by implementing enhanced protocols and best-practices for sensitive data types;

4) reduce the use of cash in marijuana sales and transactions by requiring the utilization of an electronic system designed to be sufficient to facilitate a commercial relationship with Connecticut-chartered state banks and credit unions.

To implement these goals, I respectfully offer the following language for your consideration:

(NEW) The sale or transaction of marijuana and marijuana products shall require the utilization of an electronic system of identity verification and management to ensure that a purchase is in compliance with all relevant Connecticut laws and regulations. Each transaction shall be recorded to track consumer, product and financial details adequate to facilitate a commercial relationship between marijuana businesses and financial institutions. Such system shall be HIPAA¹ and PCI² compliant with restricted and secured access to ensure separation of data reporting based on the regulatory or business requirements for system usage. The Commissioner of Revenue Services in consultation with the Commissioner of Banking and the Commissioner of Consumer Protection shall adopt regulations, in accordance with chapter 54 of the general statutes to implement such requirements.

Additionally, I note that the bill as drafted in Sec. 33 (d) (2) would have the effect of precluding the benefits that flow from the utilization of the technology I've described previously. Employing a system to electronically track transactions in an **anonymized and secured method** will yield great benefits **while maintaining important consumer privacy safeguards**. As such, we would respectfully ask you to consider deleting or modifying Sec. 33 (d) (2) from this bill. We would be happy to work with the Committee to craft new language, if so desired.

Thank you for the opportunity to submit testimony to you today, and for your consideration of my request. I would be happy to respond to any questions you may have. Please feel free to contact me at khart@greencheckverified.com; or feel free to contact Green Check Verified's lobbyist, Gary Berner (860-655-5434) or gwberner@cox.net

¹ HIPAA = Health Insurance Portability and Accountability Act of 1996 is United States legislation that provides data privacy and security provisions for safeguarding medical information.

² PCI = The Payment Card Industry Data Security Standard (PCI DSS) is a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure environment